Registration number: 00358901

RIO TINTO FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

RIO TINTO FINANCE PLC

CONTENTS

RIO TINTO FINANCE PLC

COMPANY INFORMATION

DIRECTORS	S P Allen M P Bossick P L Cunningham P I Hedley
COMPANY SECRETARY	Rio Tinto Secretariat Limited
REGISTRATION NUMBER	00358901
REGISTERED OFFICE	6 St James's Square London United Kingdom SW1Y 4AD
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants, Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic report on Rio Tinto Finance plc for the year ended 31 December 2017.

Introduction
The Company was incorporated, domiciled and registered in England and Wales under the Companies Act 2006 and is a public company limited by shares. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

The Company plays a major role in the treasury activities of the Group, including arrangement of external funding, the management of surplus cash and management of the Group's foreign exchange and interest rate exposures.

Business review
The Company's future developments are integrated with those of the Group which are discussed in the Group's 2017 Annual Report, which does not form part of this report. The Group's financial instruments and risk management policies are discussed in the Group's 2017 Annual Report.

During 2017, the Company redeemed US$363 million in aggregate, internal bonds issued as part of the Group liability management programme. As a result, US$232 million of US$460 million 3.5% 2022 bond and US$131 million of US$514 million 2.875% 2022 bond were redeemed, resulting in an aggregate cash outflow of US$380 million before fees.

In conjunction with the Group liability management programme, the Company closed out interest rate swaps (IRS) with a notional principal amount of US$781 million, giving rise to a net cash inflow of US$1.4 million.

In previous years, the Company issued debt under the Group's US$10 billion (2016: US$10 billion) European Debt Issuance Programme (EDIP) against which the cumulative amount issued was US$2.2 billion at 31 December 2017 (2016: US$1.9 billion). The carrying value of these bonds after hedge accounting adjustments amounted to US$2.2 billion (2016: US$2.0 billion) in aggregate. The debt issued under this programme is guaranteed by Rio Tinto plc and Rio Tinto Limited. The EDIP programme has no expiry date, provided the relevant companies comply with their respective renewal obligations. The bonds are listed on the Luxembourg Stock Exchange.

At the year end the Company held US$8,877 million of cash, cash equivalents and short term deposits (2016: US$6,601 million).

The Company made a loss before tax for the year of US$5 million compared with a profit of US$575 million for 2016. The result for 2017 reflects net interest receivable of US$113 million (2016: US$20 million net interest paid), other expenses of US$16 million (2016: other income of US$505 million) and net exchange losses of US$103 million (2016: net exchange gains of US$90 million).

All of the Company's interest payable and receivable is charged or credited at commercial rates, which reflects the standing of the Company or its borrowers.

In November 2015, the Company and Rio Tinto Finance Limited amended and extended, in aggregate, a US$7.5 billion multi-currency revolving credit facility, originally signed in 2013, with a syndicate of banks which is guaranteed by Rio Tinto plc and Rio Tinto Limited. The facilities had two one-year extension options, the first of which was utilised in November 2016 and the second in November 2017. The facility comprises of a US$1,875 million facility that currently matures in November 2020 and a US$5,625 million facility (including a US$ denominated same day access swing-line facility) that matures in November 2022.

The funds made available under the facility agreements may be used for the general corporate purposes of the Rio Tinto Group and contain no financial covenants. The facilities were undrawn as at 31 December 2017 (2016: undrawn).

Principal risks and uncertainties
The Company's principal risks and uncertainties are integrated with those of the Group and are not managed separately. The principal risks and uncertainties of the Group are discussed in its 2017 Annual Report which does not form part of this report.

Key performance indicators

The Company's directors are of the opinion that there are no meaningful financial or non-financial key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

The report was approved by the board and were signed on its behalf by:

S P Allen

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Director

Date : 28 June 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activity
The principal activity of the Company is conducting financing activities for the Group.

Results and dividends
The profit for the financial year, after taxation, amounted to US$817,000 (2016: profit US$543 million).

No interim dividend was paid during the year (2016: US$Nil) and the directors do not recommend the payment of a final dividend (2016: US$Nil).

Directors
The directors who served during the year and to the date of this report were:

S P Allen (appointed 25 October 2017)

M P Bossick (appointed 2 May 2017)

P L Cunningham

P I Hedley (appointed 2 May 2017)

M D Andrewes (resigned 2 May 2017)

V E Hames (resigned 30 September 2017)

The directors had no material interest in any contract or arrangement during the year to which the Company or any subsidiary of the Group is, or was, a party.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance
The Company is a wholly-owned subsidiary of the Group, therefore, there is no further disclosure required under paragraph 13(2)(c) and (d) of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 ("Schedule 7"), nor are there any restrictions on the voting rights of the shares held ("Schedule 7", 13(2)(f)).

Subject to the provisions of the Companies Act 2006 and the Articles of Association, the directors may issue, offer, allot or grant rights to subscribe for, or convert any security into, shares in the Company and the Company may also purchase, or may enter into a contract under which it will or may purchase, its own shares.

Group Internal Audit performs reviews of the integrity and effectiveness of control activities and provides regular reports to the Group's Audit Committee, Sustainability Committee and other management committees.

The directors are responsible for the Group's system of internal controls and for reviewing annually the effectiveness of the internal control system. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness.

Going concern
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Post balance sheet events
On 29 March 2018, the Company redeemed early US$533 million (€432 million) in aggregate,.instruments issued as part of the Group liability management programme. As a result, US$430 million (€349 million of its €750 million 2.000% bond due 2020) and US$103 million (€83 million of its €500 million 2.875% bond due 2024), were redeemed, resulting in an aggregate cash outflow of US$571 million before fees.

On 19 April 2018, the Company redeemed US$611 million in aggregate, internal bonds issued as part of the Group liability management programme. As a result, US$229 million (3.500% bond due 2022) and US$382 million (2.875% bond due 2022), were redeemed, resulting in an aggregate cash outflow of US$617 million before fees. These bonds are internally issued back to back between the Company and Rio Tinto Finance (USA) plc.

These events have been deemed non-adjusting and therefore no adjustments have been made to the balance sheet after year end. No other events or circumstances that will significantly affect the Company have arisen since year end.

Future developments
The Company's future developments are integrated with those of the Group which are discussed in the Group's 2017 Annual Report, which does not form part of this report.

Financial risk management
The Company's capital risk and financial risks and uncertainties including the exposure to price, credit risk, liquidity risk and cash flow risks, are integrated with those of the Group and are not managed separately. The Group's objectives, policies and processes for managing capital, and principal risks and uncertainties are discussed in the financial instrument and risk management policies of the Group's 2017 Annual Report which does not form part of this report.

Indemnities and insurance
The Articles of Association of the Company's ultimate parent, Rio Tinto plc, provides for it to indemnify, to the extent permitted by law, its officers and officers of wholly-owned subsidiaries against liabilities arising from the conduct of the Group's business. The directors and the company secretary of Rio Tinto plc and certain employees serving as directors of certain subsidiaries, at the Group's request, have been indemnified in accordance with these provisions. All the directors of the Company have been indemnified by Rio Tinto plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006. No amounts have been paid under any of these indemnities during the year.

In accordance with section 233 of the Companies Act 2006 the Company has also purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the Group's business.

Disclosure of information to auditors

Each of the persons who were directors at the time when this Directors' report is approved has confirmed that:

- so far as that they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed by order of the board.

S P Allen

Director, for and on behalf of Rio Tinto Secretariat Limited
Company secretary

Date: 28 June 2018

6 St James's Square
London
United Kingdom
SW1Y 4AD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO FINANCE PLC (THE "COMPANY")

Report on the audit of the financial statements

Our opinion

In our opinion, Rio Tinto Finance plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Overall materiality	• Overall materiality: $420.3 million (2016: $365.2 million), based on 1% of total assets.
Audit scope	• We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.
	• The Company's principal activity is to conduct financing activities for the Rio Tinto Group. Our detailed audit procedures are tailored to test material financial statement line items, together with the related financial statement disclosures.
Key audit matters	• Risk of material misstatement in derivatives.
	• Risk of material misstatement in intercompany balances.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF RIO TINTO FINANCE PLC (THE "COMPANY")

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including, but not limited to, the Companies Act 2006. Our tests included, but were not limited to, checking the financial statement disclosures to underlying supporting documentation, enquiries with management, and the reading of board minutes throughout the financial year whilst assessing any significant items for their potential audit impact. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Risk of material misstatement in derivatives	
The Company enters into foreign exchange and interest rate derivative instruments.	We tested the valuation of the derivatives entered into by the Company by performing an independent valuation at the balance sheet date on a sample basis.
The treatment of these instruments depends on whether the derivative instrument is designated as a hedging instrument, and the nature of the item being hedged.	We tested the completeness and existence of the derivatives through third party confirmation procedures on a sample basis.
The Company designates certain derivative instruments as fair value hedges and certain others as cash flow hedges. Accounting for derivatives requires estimation to determine the fair value of the instrument, and the application of hedge accounting requires formal designation and regular effectiveness testing.	Our approach in respect of the derivatives designated in a hedge relationship included, on a sample basis, examining hedge documentation, the testing of hedge effectiveness retrospectively and prospectively, and assessing the related accounting entries.
Refer to Notes 8 and 11 of the financial statements.	

Key audit matter	*How our audit addressed the key audit matter*
Risk of material misstatement in intercompany balances	
The Company has non-current intercompany receivables of $14 million and current intercompany receivables of $32,114 million as at 31 December 2017.	We agreed the intercompany balances to the corresponding counterparty balance as reflected in the Rio Tinto Group consolidation system.
	We considered the recoverability of intercompany debtors on a sample basis, by evaluating the ability of these counterparties to repay the debt due to the Company.
Refer to Note 8 of the financial statements.	Based on the procedures performed, we noted no material issues from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$420.3 million (2016: $365.2 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We have considered the nature of the business and activities in the Company (being investing and funding activities on behalf of the Rio Tinto Group) and determined that Total Assets is the most appropriate basis for the calculation of materiality.

We determined that we would report to those charged with governance misstatements identified during our audit above $42.0 million (2016: $36.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF RIO TINTO FINANCE PLC (THE "COMPANY")

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 14 June 1990 to audit the financial statements for the year ended 31 December 1990 and subsequent financial periods. The period of total uninterrupted engagement is 28 years, covering the years ended 31 December 1990 to 31 December 2017.

....

Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 28/06/2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $ 000	2016 $ 000
Finance income	3	**668,823**	432,767
Finance expenses	4	**(555,452)**	(453,055)
Other (expense)/income	5	**(15,515)**	504,584
Net exchange (losses)/gains	6	**(102,949)**	90,276
(Loss)/profit before taxation	5	**(5,093)**	574,572
Taxation	7	**5,910**	(31,343)
Profit for the financial year		**817**	543,229

The notes on pages 17 to 30 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 $ 000	2016 $ 000
Profit for the financial year	**817**	543,229
Other comprehensive income		
Cash flow hedge reserve:		
Net cash flow hedge (gains)/losses transferred to the income statement	**(60,799)**	129,814
Net cash flow hedge fair value gains/(losses)	**61,531**	(88,404)
	732	41,410
Total comprehensive income for the year, net of tax	**1,549**	584,639

The notes on pages 17 to 30 form an integral part of these financial statements.

(REGISTRATION NUMBER: 00358901)
BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	2017 $ 000	2016 $ 000
ASSETS			
Non-current assets			
Other financial assets	8	**14,016**	17,379
Other receivables	10	**1,127**	2,022
		15,143	19,401
Current assets			
Other financial assets	8	**33,130,909**	29,903,631
Cash and cash equivalents	9	**8,876,652**	6,600,890
Other receivables	10	**895**	937
Tax receivable		**7,000**	-
		42,015,456	36,505,458
Total assets		**42,030,599**	36,524,859
LIABILITIES			
Current liabilities			
Other financial liabilities	11	**(35,705,437)**	(29,823,701)
Tax payable		**-**	(15,215)
Other payables	12	**(2,770)**	(2,068)
		(35,708,207)	(29,840,984)
Non-current liabilities			
Other financial liabilities	11	**(4,224,415)**	(4,587,447)
		(4,224,415)	(4,587,447)
Total liabilities		**(39,932,622)**	(34,428,431)
Net assets		**2,097,977**	2,096,428
EQUITY			
Share capital	14	**1,788,807**	1,788,807
Cash flow hedge reserve	15	**62,046**	61,314
Other reserves	15	**252**	252
Retained earnings		**246,872**	246,055
Total equity		**2,097,977**	2,096,428

These financial statements were approved and authorised by the director and were signed on its behalf by:

S Allen /.

S P Allen
Director
Date: 28 June 2018

The notes on pages 17 to 30 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital $ 000	Cash flow hedge reserve $ 000	Other reserves $ 000	Retained earnings $ 000	Total equity $ 000
At 1 January 2017	1,788,807	61,314	252	246,055	2,096,428
Comprehensive income for the year					
Profit for the financial year	-	-	-	817	817
Net cash flow gains transferred to the income statement	-	(60,799)	-	-	(60,799)
Net cash flow hedge fair value gain	-	61,531	-	-	61,531
Other comprehensive income for the year	-	732	-	-	732
Total comprehensive income for the year	-	732	-	817	1,549
At 31 December 2017	1,788,807	62,046	252	246,872	2,097,977

The notes on pages 17 to 30 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Share capital $ 000	Cash flow hedge reserve $ 000	Other reserves $ 000	Retained (losses)/earnings $ 000	Total equity $ 000
At 1 January 2016	1,788,807	19,904	252	(297,174)	1,511,789
Comprehensive income for the year					
Profit for the financial year	-	-	-	543,229	543,229
Net cash flow losses transferred to the income statement	-	129,814	-	-	129,814
Net cash flow hedge fair value loss	-	(88,404)	-	-	(88,404)
Other comprehensive income for the year	-	41,410	-	-	41,410
Total comprehensive income for the year	-	41,410	-	543,229	584,639
At 31 December 2016	1,788,807	61,314	252	246,055	2,096,428

The notes on pages 17 to 30 form an integral part of these financial statements.

1 Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), on a going concern basis under the historical cost convention as modified by financial assets and liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The Company meets the definition of a qualifying entity. The recognition and measurement requirements of EU-adopted IFRS have been applied with amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 financial statements.

1.2 *Financial reporting standard 101 - Reduced disclosure exemptions*

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under the standard in relation to:

- the requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d) and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements which can be obtained as set out in Note 18.

1.3 *Corporate information*

The Company is a public limited company incorporated and domiciled in England and Wales and the information on its ultimate parent is presented in Note 18.

1.4 Presentation and functional currency

The Company's financial statements are presented in US dollars ("US$") and all values are rounded to the nearest thousand ($'000) except when otherwise indicated. The US dollar represents the currency affecting the operations and most of the financing provided to and by the Company. Accordingly, the directors regard the US dollar as the principal currency affecting the Company's primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at year end. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical costs in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates as at the date the fair value was determined.

The year-end exchange rate was US$1.34:£1 (31 December 2016: US$1.22:£1).

1.5 Receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

1.6 Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown as current liabilities in the balance sheet.

1.7 Financial instruments
The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Fair value: Where financial instruments are accounted for at fair value, this is the amount at which they could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates. The fair values of cash, other bank deposits, short term borrowings to/from Group companies and Rio Tinto associate undertakings, and other short term receivables and payables are assumed to approximate to their carrying value, as a result of their short maturity or because they carry floating rates of interest. A further description of the accounting for each class of financial instrument is given below.

Borrowings: Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derivatives financial instruments and hedge accounting: Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and transaction costs are expensed in the income statement. They are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges). Changes in the fair value of derivatives not designated as hedges are recorded in the income statement.

Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk. Where derivatives are held with different counterparties or with the same counterparty and management has no intention to settle the derivatives and the underlying asset or liability or firm commitment, on a net basis, the fair value of the derivative asset or liabilities and the hedged asset or liability or firm commitment are shown separately in the balance sheet as there is no legal right of offset and/or no intention to settle on a net basis. When the fair value interest rate hedging instrument expires or is sold, or when a fair value interest rate hedge no longer meets the criteria for hedge accounting, the fair value adjustments which have been made to the hedged item are amortised through the income statement over the remaining life of the hedged item or written off immediately where the hedged item is derecognised.

Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the year when the hedged items affect the income statement.

Where the cash flow hedge is of a forecast transaction that is still expected to occur and the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss relating to the instrument which is held in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Interest Rate Risk: The Company borrows in various currencies to fund the Group at floating and fixed rates of interest. Where necessary the Company then uses interest rate and cross currency interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Company's policy on interest rate risk is integrated with those of the Group and is not managed separately.

Liquidity Risk: The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bond issuance, bank loans, commercial paper and group funding, at the same time seeking to obtain funding at favourable borrowing rates. *Details of the Company's long term debt are summarised in Note 11.*

Foreign Currency Risk: The Company has exposures to foreign currency in its borrowings and inter-company balances and has taken steps to reduce the potential for such effects by managing its currency exposures through the use of spot and forward currency exchange contracts, by maintaining asset and liability exposures in matched currencies, and by the use of currency swap contracts.

1.8 Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Except as otherwise required by IAS 12 ("Income taxes"), deferred tax is provided in full on temporary differences at the balance sheet date.

1.9 *Finance income and expense*

Finance income includes interest income. Finance expense includes interest expense and similar charges. Interest income and interest expense are recognised on an accruals basis.

2 Critical accounting estimates and judgments

Management do not deem there to be any critical accounting judgements or estimates to separately disclose here.

The Group's critical accounting estimates and judgements are discussed in the Group's 2017 Annual Report which does not form part of this report.

3 Finance income

	2017	2016
	$ 000	$ 000
Interest income from parent and fellow Group undertakings	**575,487**	385,812
Interest income from Rio Tinto associate undertakings	**495**	380
Interest income on cash and cash equivalents	**88,332**	34,796
Interest income on other investments	**4,324**	465
Net interest income and similar finance income (a)	**-**	10,944
Other finance income	**185**	370
	668,823	432,767

(a) Refer to note 4 (a) for details on net interest expense and similar finance charges.

4 Finance expense

	2017 $ 000	2016 $ 000
Interest expense - Group undertakings	**498,090**	452,498
Interest expense on bank loans and overdrafts	**362**	557
Net interest expense and similar finance charges (a)	**57,000**	-
	555,452	453,055

(a) Net interest expense and similar finance charges includes a fair value loss on cross currency interest rate swaps and interest rate swaps designated as hedges of US$15 million (2016: loss of US$33 million) and a fair value gain on bonds attributable to currency and interest rate risk of US$16 million (2016: gain of US$37 million). Net interest income and similar finance income also includes a fair value loss on interest rate swaps not designated in hedging relationships of US$4 million (2016: gain of US$18 million).

5 (Loss)/profit before taxation

(a) The audit fees incurred during the year were $144,486 (2016: $131,547) and were borne by Rio Tinto London Limited, a fellow Group subsidiary. The Company paid $27,488 in fees for non-audit services of which $13,744 (2016: $11,582) was borne by other Group companies.

(b) No emoluments were paid or payable to directors during the year in respect of their services to the Company (2016: $Nil).

(c) The average number of persons employed during the year, excluding directors, was Nil (2016: Nil).

(d) Employees who are involved in the management and operation of the Company have contracts of service with other Group entities and therefore their remuneration is included with those entities' financial statements.

(e) Other (expenses)/income represents an impairment provision against inter-company receivables due from Group subsidiaries of US$10 million and fees paid in the year of US$5 million (2016: primarily represents an impairment provision against inter-company receivables due from Group subsidiaries of US$29 million and impairment provision reversal of US$543 million relating to inter-company receivables from RTA Hold Co 1 Limited, a Group subsidiary).

6 Net exchange (losses)/gains

	2017 $ 000	2016 $ 000
Net exchange (losses)/gains - Group transactions	**(155,519)**	115,430
Net exchange gains/(losses) - third party transactions (a)	**52,570**	(25,154)
	(102,949)	90,276

(a) Includes foreign exchange gains on cross currency interest rate swaps of US$244 million (2016: loss of US$184 million) of which US$61 million (2016: US$130 million) was recycled from the cash flow hedge reserve; and foreign exchange losses on Euro and Sterling denominated listed bonds of US$244 million (2016: gain of US$184 million) designated as hedges.

7 Taxation

	2017 $ 000	2016 $ 000
Corporation tax		
Current tax on (loss)/profit for the year	(7,000)	16,000
Adjustments in respect of prior periods	1,090	15,306
	(5,910)	31,306
Foreign tax		
Foreign tax on income for the year	-	37
Total current tax	(5,910)	31,343
Tax (credit)/expense in the income statement	(5,910)	31,343

Factors affecting tax (credit)/charge for the year

The tax on (loss)/profit for the year is lower than the standard rate of corporation tax in the UK (2016: lower than) of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 $ 000	2016 $ 000
(Loss)/profit before taxation	(5,093)	574,572
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(980)	114,914
Effects of:		
Expenses not deductible for tax purposes, other than impairment	(7,594)	3,065
Non-taxable net impairment/(reversal)	1,875	(102,937)
Group relief	(265)	489
Adjustments in respect of prior periods	1,090	15,306
Unrelieved foreign tax	(36)	506
Total tax (credit)/charge for the year	(5,910)	31,343

A reduction to the main rate of UK corporation tax from 20% to 19%, with effect from 1 April 2017, was substantively enacted on 26 October 2015, resulting in the standard rate for the year of 19.25%. A further reduction to 17%, with effect from 1 April 2020, was substantively enacted on 6 September 2016. Any deferred tax balances have been calculated at the reduced rates to the extent that they unwind.

8 Other financial assets

	2017 $ 000	2016 $ 000
Non-current		
Amounts owed by Group undertakings (a)	**14,016**	12,886
Derivative financial instruments	**-**	4,493
	14,016	17,379
Current		
Amounts owed by Group undertakings (b)	**32,114,404**	29,598,724
Accrued interest	**49,836**	51,590
Other investments (c)	**958,227**	249,627
Derivative financial instruments	**8,442**	3,690
	33,130,909	29,903,631

(a) Amounts owed by Group undertakings represent interest rate swaps that were transacted with external counterparties and are back to back internally issued to Rio Tinto International Holdings Limited, a fellow group subsidiary. Refer to note 13 for further details.

(b) Amounts owed by Group undertakings include provisions against receivables from fellow subsidiaries of US$121 million (2016: US$112 million) and foreign exchange forwards of US$2 million (2016: US$Nil) that were transacted with external counterparties and are back to back internally issued to Rio Tinto South East Asia Limited, a fellow Group subsidiary.

(c) Other investments represent highly liquid financial assets held in managed investment funds classified as held for trading and are categorised as level 1 in the fair value hierarchy.

9 Cash and cash equivalents

	2017 $ 000	2016 $ 000
Cash at bank and in hand	**267,108**	147,029
Money market funds and other cash equivalents	**8,609,544**	6,453,861
	8,876,652	6,600,890

10 Other receivables

	2017 $ 000	2016 $ 000
Non-current		
Prepayments	**1,127**	2,022
	1,127	2,022
Current		
Prepayments	**895**	937
	895	937

11 Other financial liabilities

	2017 $ 000	2016 $ 000
Non-current		
Borrowings (a)	**2,234,571**	2,002,070
Derivative financial instruments	**228,283**	457,707
Amounts owed to Group undertakings (b) (c) (d)	**1,761,561**	2,127,670
	4,224,415	4,587,447
Current		
Accrued interest	**30,627**	27,522
Amounts owed to Group undertakings (b) (c) (d)	**35,667,182**	29,792,632
Derivative financial instruments	**2,622**	56
Other loans	**-**	2,995
Other financial liabilities	**5,006**	496
	35,705,437	29,823,701

(a) Under its European Debt Issuance Program, the Group has issued three Rio Tinto Finance plc bonds consisting of a EUR750 million 2.0% bond due 2020, a EUR500 million 2.875% bond due 2024 and a GBP500 million 4.0% bond due 2029. The bonds are listed on the Luxembourg Stock Exchange. The Euro denominated bonds were swapped as at the issue date using cross currency interest rate swaps to US dollar floating rate bonds. The GBP denominated bond was swapped using cross currency interest rate swaps to a US dollar fixed rate bond. Details of the cross currency interest rate swaps are disclosed in note 13.

(b) Included in amounts due to Group undertakings are back to back internally issued bonds with Rio Tinto Finance (USA) plc, a Group company, consisting of a US$228 million 3.5% bond due 2022, a US$383 million 2.875% bond due 2022, a US$500 million 4.75% bond due 2042 and a US$750 million 4.125% bond due 2042 (2016: four bonds being US$460 million 3.5% bond due 2022, US$514 million 2.875% bond due 2022, US$500 million 4.75% bond due 2042 and US$750 million 4.125% bond due 2042).

(c) Fair value hedge accounting has been applied to the full notional of the internally issued bonds with Rio Tinto Finance (USA) plc and the partial term to 2020 for the US$228 million 3.5% bond due 2022 and US$383 million 2.875% bond due 2022; and the partial term to 2023 for the US$500 million 4.75% bond due 2042 and the US$750 million 4.125% bond due 2042.

(d) Amounts owed to Group undertakings also includes interest rate swaps and foreign currency forward contracts (2016: interest rate swaps) that were transacted with external counterparties and then back to back issued to fellow Group subsidiaries.

(e) The Company and Rio Tinto America Inc, a fellow Group subsidiary, can issue commercial paper under the Group's US$4 billion Commercial Paper programme. This was not utilised in 2017 and 2016.

(f) In November 2015, the Company and Rio Tinto Finance Limited amended and extended, in aggregate, a US$7.5 billion multi-currency revolving credit facility, originally signed in 2013, with a syndicate of banks which is guaranteed by Rio Tinto plc and Rio Tinto Limited. The facilities had two one-year extension options, the first of which was utilised in November 2016 and the second in November 2017. The facility comprises of a US$1,875 million facility that currently matures in November 2020 and a US$5,625 million facility (including a US$ denominated same day access swing-line facility) that matures in November 2022.

The funds made available under the facility agreements may be used for the general corporate purposes of the Rio Tinto Group and contain no financial covenants. The facilities were undrawn as at 31 December 2017 (2016: undrawn).

12 Other payables

	2017 $ 000	2016 $ 000
Current		
Other payables	**2,770**	2,068
	2,770	2,068

13 Financial instruments

Except where stated, the information given below relates to the financial instruments of the Company and the information is grouped into the following sections:

13.1 - Financial assets and liabilities by categories

13.2 - Capital and financial risk management

13.3 - Financial liability analysis

13.1 Financial assets and liabilities by categories

Set out below, by category, are the carrying amounts of all of the Company's financial instruments that are presented in the financial statements.

	2017 $ 000	2016 $ 000
Financial assets		
Loans and receivables		
Cash and cash equivalents	**8,876,652**	6,600,890
Amounts owed by Group undertakings (a)	**32,128,420**	29,611,610
Accrued interest	**49,836**	51,590
Total loans and receivables	**41,054,908**	36,264,090
Held at fair value		
Other investments	**958,227**	249,627
Total	**958,227**	249,627
Fair value through profit and loss - derivatives used for hedging		
Interest rate swaps	**-**	2,012
Total derivatives designated as hedges	**-**	2,012
Fair value through profit and loss - derivatives not used for hedging		
Interest rate swaps	**-**	2,481
Foreign currency forward and swap derivative contracts	**8,442**	3,690
Total derivatives not designated as hedges	**8,442**	6,171
Total financial assets	**42,021,577**	36,521,900

13.1 Financial assets and liabilities by categories (continued)

	2017 $ 000	2016 $ 000
Financial liabilities		
Amortised cost		
Borrowings (c)	**2,234,571**	2,002,070
Amounts owed to Group undertakings (b)	**37,428,743**	31,920,302
Accrued interest	**30,627**	27,522
Other financial liabilities	**5,006**	496
Other loans	**-**	2,995
Total liabilities at amortised cost	**39,698,947**	33,953,385
Fair value through profit and loss - derivatives used for hedging		
Cross currency interest rate swaps	**149,181**	381,513
Interest rate swaps	**65,086**	63,307
Total derivatives designated as hedges	**214,267**	444,820
Fair value through profit and loss - derivatives not used for hedging		
Interest rate swaps	**14,016**	12,887
Foreign currency forward and swap derivative contracts	**2,622**	56
Total derivatives not designated as hedges	**16,638**	12,943
Total financial liabilities	**39,929,852**	34,411,148

(a) Amounts owed by Group undertakings include the fair value of interest rate swaps of US$14 million (2016: US$13 million) and foreign currency forward contracts of US$2 million (2016: $Nil) that were transacted with external counterparties and back to back issued to fellow subsidiary companies.

(b) Amounts owed to Group undertakings include the fair value of foreign currency forward contracts of US$8 million (2016: interest rate swaps of US$2 million) that were transacted with external counterparties and back to back issued to fellow subsidiary companies.

(c) The carrying amount of all financial assets and financial liabilities is a reasonable approximation of the fair value except for the borrowings. Borrowings with a carrying value of US$2,235 million (2016: US$2,002 million) relate to listed bonds with a fair value of US$2,423 million (2016: US$2,165 million) and are categorised as level 1 in the fair value hierarchy.

13.2 Capital and financial risk management

The Company's capital risk and financial risks and uncertainties including the exposure to price, credit risk, liquidity risk and cash flow risks, are integrated with those of the Group and are not managed separately. The Group's objectives, policies and processes for managing capital, and principal risks and uncertainties are discussed in the financial instrument and risk management policies of the Group's 2017 Annual Report which does not form part of this report.

Foreign exchange sensitivities

The estimated retranslation effect on financial assets and financial liabilities of a ten percent strengthening in the closing exchange rate of the US dollar against significant currencies would be broadly equal and opposite to the sensitivity associated with a ten percent weakening of the US dollar against these currencies.

The impact is expressed in terms of the strengthening of the dollar and the effect on the income statement (excluding tax), assuming that each exchange rate moves in isolation. The sensitivities based on financial assets and financial liabilities held at 31 December 2017 where balances are not denominated in the functional currency of the Company are as follows; US dollar/Euro: US$60 million gain (2016: US$44 million gain), US dollar/Sterling: US$52 million gain (2016: US$54 million gain) and US dollar/Australian dollar: US$21 million gain (2016: US$41 million gain).

Interest rate sensitivities

Based on the Company's net financial assets and financial liabilities as at 31 December 2017, the effect on the income statement of a half percentage point increase in US dollar LIBOR interest rates, with all other variables held constant, would be a credit of US$9 million (2016: credit of US$13 million).

The Company has an exposure to interest rate volatility within shareholder's equity arising from fair value movements on derivatives in the cash flow hedge reserve. These derivatives have an underlying exposure to pound sterling and the US dollar rates. With all factors remaining constant and based on the composition of derivatives impacting the cash flow hedge reserve at 31 December 2017, the sensitivity of a 100 basis point increase in interest rates in each currency in isolation would impact equity, before tax, by US$84 million charge (2016: US$84 million charge) for pound sterling and US$88 million credit (2016: US$95 million credit) for US dollar. A 100 basis point decrease would have broadly the same impact in the opposite direction.

These balances will not remain constant throughout 2017, and therefore this information should be used with care.

Credit risk related to financial assets and cash deposits

Credit risk from investments in government securities (primarily US Government) or money market funds and balances with banks and financial institutions is managed by the Group. Investments of surplus funds are only made with approved investment grade (BBB- and above) counterparties who have been assigned specific credit limits beforehand based on specific assessment criteria. The limits are set to minimise the concentration of credit risk and therefore mitigate the potential for financial loss through counterparty failure.

No significant credit risk is considered to arise on the amounts owed by Group undertakings to the Company.

Further details of the Rio Tinto Group's credit risk management policies are set out in the Group's 2017 Annual Report which does not form part of this report.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 13.1.

13.3 Financial liability analysis

The table below analyses the Company's financial liabilities by relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the balance sheet.

At 31 December 2017	Within 1 year or on demand $ 000	Between 1 and 5 years $ 000	After 5 years $ 000	Total $ 000
Non-derivative financial liabilities				
Borrowings	-	896,432	1,270,116	2,166,548
Amounts owed to Group undertakings	35,743,496	943,065	2,359,113	39,045,674
Expected future interest payments (a)	62,011	212,182	222,662	496,855
Other financial liabilities	5,006	-	-	5,006
Derivative financial liabilities				
Derivatives designated in hedge - net settled	876	3,878	(12,987)	(8,233)
Derivatives designated in hedge - gross settled				
- gross inflows	(62,010)	(1,108,615)	(1,492,778)	(2,663,403)
- gross outflows	81,969	1,242,861	1,741,462	3,066,292
Derivatives not designated in hedge - net settled	(11,067)	(45,098)	(23,236)	(79,401)
Derivatives not designated in hedge - gross settled				
- gross inflows	(795,431)	-	-	(795,431)
- gross outflows	797,285	-	-	797,285
Total	35,822,135	2,144,705	4,064,352	42,031,192

13.3 Financial liability analysis (continued)

At 31 December 2016	Within 1 year or on demand $ 000	Between 1 and 5 years $ 000	After 5 years $ 000	Total $ 000
Non-derivative financial liabilities				
Borrowings	-	786,246	1,135,860	1,922,106
Amounts owed to Group undertakings	29,887,826	383,139	3,383,303	33,654,268
Expected future interest payments (a)	55,263	205,325	240,952	501,540
Other loans	2,996	-	-	2,996
Other financial liabilities	496	-	-	496
Derivative financial liabilities				
Derivatives designated in hedge - net settled	(8,041)	(29,761)	(19,347)	(57,149)
Derivatives designated in hedge - gross settled				
- gross inflows	(55,263)	(991,571)	(1,376,812)	(2,423,646)
- gross outflows	72,975	1,241,802	1,784,815	3,099,592
Derivatives not designated in hedge - net settled	(9,629)	(40,881)	-	(50,510)
Derivatives not designated in hedge - gross settled				
- gross inflows	(29,000)	-	-	(29,000)
- gross outflows	29,000	-	-	29,000
Total	29,946,623	1,554,299	5,148,771	36,649,693

(a) Interest payments have been projected using interest rates applicable at the end of the financial year. Where debt is subject to variable interest rates, future interest payments are subject to change in line with market rates.

Offsetting and enforceable master netting agreements
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There were no material amounts offset in the balance sheet and no material enforceable master netting agreements were identified.

13.4 Fair value of derivative financial instruments

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2017:

	Level 1 (a) $ 000	Level 2 (b) $ 000	Level 3 (c) $ 000	Total $ 000
Derivatives				
Foreign currency forward and swap contracts	-	5,820	-	5,820
Interest rate swaps (d)	-	(79,102)	-	(79,102)
Cross currency interest rate swaps (d)	-	(149,181)	-	(149,181)
	-	(222,463)	-	(222,463)

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2016:

	Level 1 (a) $ 000	Level 2 (b) $ 000	Level 3 (c) $ 000	Total $ 000
Derivatives				
Foreign currency forward and swap contracts	-	3,634	-	3,634
Interest rate swaps (d)	-	(71,701)	-	(71,701)
Cross currency interest rate swaps (d)	-	(381,513)	-	(381,513)
	-	(449,580)	-	(449,580)

(a) Valuation is based on unadjusted quoted prices in active markets for identical financial instruments.

(b) Valuation is based on inputs that are observable for the financial instruments which include quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or inputs, either directly or indirectly based on observable market data.

(c) Valuation is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(d) Interest rate and currency interest rate swaps are valued using applicable market quoted swap yield curves adjusted for relevant basis and credit default spreads. Currency interest rate swaps valuations also use market quoted foreign exchange rates. A discounted cash flow approach is applied to the cash flows derived from inputs to determine fair value.

(e) There were no transfers between level 1 and level 2, or between level 2 and level 3 in the years ended 31 December 2017 and 31 December 2016.

14 Share capital

Allotted, called up and fully paid shares

	2017 $ 000	2016 $ 000
1,584,510 (2016: 1,584,510) ordinary shares of £1 each	**2,298**	2,298
1,786,509,460 (2016: 1,786,509,460) ordinary shares of $1 each	**1,786,509**	1,786,509
	1,788,807	1,788,807

15 Reserves

Other reserves

The Company's share capital in issue at the date when the US$ became the functional currency was translated into US dollars at the exchange rate then in force. The currency translation adjustment at that time has been included in "other reserves".

Cash flow hedge reserve

The Company has issued a GBP500 million 4% bond due 2029 that has been designated in a cash flow hedge relationship. The cash flow hedge reserve records gains and losses on cash flow hedges that are recognised initially in equity.

16 Related party transactions

The Company is exempt under the requirements of IAS 24 Related Party Disclosures from disclosing related party transactions entered into between wholly-owned Group entities.

The Group has a 30 percent interest in Minera Escondida Limitada, an associate entity of the Group. A revolving credit facility of US$750 million (the Company's share US$225 million) was made available to Minera Escondida Limitada in 2012 with an expiry date of 31 December 2015. The revolving credit facility was then re-instated on 14 November 2016. The facility was undrawn as at 31 December 2017 (2016: undrawn).

17 Post balance sheet events

On 29 March 2018, the Company redeemed early US$533 million (€432 million) in aggregate, instruments issued as part of the Group liability management programme. As a result, US$430 million (€349 million of its €750 million 2.000% bond due 2020) and US$103 million (€83 million of its €500 million 2.875% bond due 2024), were redeemed, resulting in an aggregate cash outflow of US$571 million before fees.

On 19 April 2018, the Company redeemed US$611 million in aggregate, internal bonds issued, as part of the Group liability management programme. As a result, US$229 million (3.500% bond due 2022) and US$382 million (2.875% bond due 2022), were redeemed, resulting in an aggregate cash outflow of US$617 million before fees. These bonds are internally issued back to back between the Company and Rio Tinto Finance (USA) plc.

These events have been deemed non-adjusting and therefore no adjustments have been made to the balance sheet after year end. No other events or circumstances that will significantly affect the Company have arisen since year end.

18 Parent and ultimate parent undertaking

The Company's immediate parent is Rio Tinto International Holdings Limited. The ultimate parent and controlling party is Rio Tinto plc which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y 4AD or from the Rio Tinto website at www.riotinto.com.